

Top Secret

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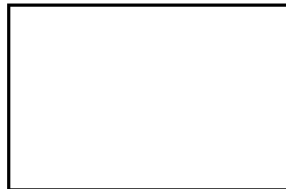
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NATIONAL INTELLIGENCE DAILY CABLE

Thursday July 29, 1976

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State Dept. review completed

On file Department of Agriculture
release instructions apply.

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Thursday, July 29, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Sitrep

25X1 [] Palestine Liberation Organization representative Qad-dumi, after one day of consultations with other Palestinian and leftist leaders in Beirut, returned to Damascus yesterday for further talks on the draft agreement worked out with the Syrians.

25X1 [] The leftist radio station in Beirut said the delegation would convey the Palestinian leadership's agreement in principle, and predicted that a joint announcement of the agreement would be forthcoming soon. The radio station added, however, that "certain details" still needed clarification, including a specific reference to the "Arab League resolutions."

25X1 [] It is not clear whether this refers to the recent watered-down resolutions that merely call for a cease-fire and the strengthening of Arab League security forces, or to earlier resolutions that specifically call for the replacement of Syrian troops in Lebanon by League forces. Damascus would find the latter condition unacceptable.

25X1 [] Libyan Prime Minister Jallud, who is in Damascus, issued an optimistic statement at a press conference yesterday. He was quoted by the leftist radio in Beirut as saying that a final Syrian-Palestinian agreement had been reached and that PLO chief Yasir Arafat would go to Damascus in the next few days for a summit meeting with Syrian President Asad.

25X1 [] Damascus radio, on the other hand, has been much more guarded. It has not referred to Jallud's press conference except to cite his praise of Asad's efforts to reach an agreement with the Palestinians.

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[REDACTED] There was a general lull in military activity throughout Lebanon yesterday. Only scattered artillery exchanges and sniper fire occurred along the traditional confrontation lines in Beirut. Christian forces were also said to be shelling Palestinian and leftist positions in the Sannin heights and near Aynturah in central Lebanon.

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[REDACTED] The US embassy in Tel Aviv reports that the pervasive mood of self-confidence created in Israel by the rescue raid staged at Entebbe airport on July 4 has strengthened public support for Tel Aviv's continuing policy of non-intervention toward Lebanon.

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[REDACTED] A senior Israeli foreign ministry official recently said that the Entebbe operation has enabled his government to maintain its cautious, low-key policy toward Lebanon because now no one doubts Israel's ability or willingness to act forcefully should its interests be directly threatened.

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[REDACTED] The government reportedly is considering a new plan that would permit Lebanese Arabs living near the border to commute daily to work in Israel. Israel also recently helped facilitate three Red Cross air shipments of relief goods to Lebanon, including medical and food supplies purchased by West Bank Arabs.

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[REDACTED] Defense Minister Peres stated last week that such contacts may mark the beginning of an era of "open bridges" across the Israeli-Lebanese border.

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25X1 [] Since the middle of June, Israeli doctors have treated a large number of Christian and Muslim Lebanese at medical clinics along the frontier. Lebanese reportedly are also buying badly needed foodstuffs from Israelis, who in turn purchase goods from Lebanese farmers. []

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CHINA: Earthquakes

25X1 [] The powerful earthquakes that have rocked China caused severe damage at Tientsin and the important industrial and mining city of T'ang-shan. Early reports indicate that there was massive destruction of houses and that rail connections were cut between T'ang-shan and Peking.

25X1 [] According to press reports, a group of French survivors said T'ang-shan, which has a population of about 1 million, was in ruins. The Chinese Communist Party's Central Committee has acknowledged that the earthquakes have caused "great losses to people's lives and property."

EASTERN EUROPE: Crop Prospects

25X1 [] The spreading drought in Eastern Europe has hurt prospects for a record grain harvest this year.

25X1 [] In mid-June, forecasts by the US Department of Agriculture placed potential output at a record 93 million tons. As a result of the continued hot, dry weather, we now project this year's grain output at about 89 million tons, only slightly better than last year's mediocre crop.

25X1 [] Grain output at this level, coupled with a serious reduction in fodder and forage crops, suggests that imports of grain in the marketing year ending June 30, 1977 will remain

near the record level of 12 million tons reached last year. If the US retains its market share, exports to Eastern Europe may again exceed 6 million tons, twice the level of the 1973-1974 period.

25X1

[] Drought conditions are worst in East Germany. As of mid-July, soil moisture had fallen to less than half of normal. Critically low soil moisture levels also exist in western Poland, Czechoslovakia, and Hungary. A second drought area centers in Romania's main grain-producing region and extends into Bulgaria. Only Yugoslavia has received adequate rainfall. Crops there are reported in good condition.

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[] The drought will have the least impact on winter grains, reducing output by about 5 percent. We expect the winter wheat harvest to reach 31 million tons--10 percent higher than last year, but almost 3 million tons below the record crop of 1974.

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[] Drought damage will be more severe to spring-sown grains, and to the fodder crops, especially potatoes for feed use. Pastures are also hard hit. The corn harvest may reach 27 to 28 million tons, roughly 5 to 10 percent below last year's crop despite a somewhat larger area planted this spring.

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[] Output will be further reduced if the drought is not broken by early August. Premature harvesting of corn for silage, rather than for grain, would lower our projection even further.

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[] Potatoes, important for both food and fodder in the northern countries, will be in short supply, contributing to the continued meat shortages. Fresh vegetables and fruits also will fall short of consumer needs.

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[] East European countries will have to increase their purchases in foreign grain markets. Among the major importing countries, East Germany and Czechoslovakia probably will boost their grain imports to about 4 million tons and 2 million tons, respectively. Even with larger grain imports, East Germany will not be able to avoid acute shortages of animal feed.

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[REDACTED] Polish grain imports will probably be less than they were last year, but they may run between 4 and 5 million tons, mostly wheat and corn. The amount may depend on whether Warsaw chooses to import meat for immediate consumption or grain to support livestock production.

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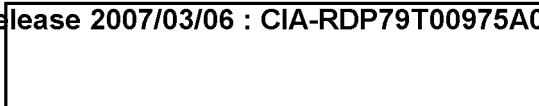
[REDACTED] East European purchases in the West, particularly from the US, will depend largely on the amount of grain the USSR can supply. The USSR has supplied in the past as much as one half of East European grain imports.

25X1

[REDACTED] Last summer, Moscow suspended grain shipments to Eastern Europe because of its own poor harvest. The US inherited most of the usual Soviet business and provided about 6.5 million tons, compared with 3 million tons the previous crop year. If the USSR supplies a minimum amount--around 3 million tons--US sales to Eastern Europe could equal last year's level. [REDACTED]

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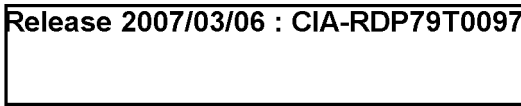
PERU: Bermudez' Speech

[REDACTED] Peruvian President Morales Bermudez' independence day address yesterday reaffirmed the moderate course that the government began pursuing immediately after the dismissal earlier this month of leftist Prime Minister Fernandez Maldonado.

[REDACTED] Morales Bermudez repeatedly said economic efficiency takes precedence over ideological experimentation. Specifically, he implied some revision in the application of two concepts, "social property" and "industrial community," which were fundamental to the revolution. He implicitly blamed the policies of his predecessor, General Velasco, for some of the country's economic problems. Morales Bermudez characterized the revolutionary process that he is committed to preserve as humanist, Christian, and nationalist rather than socialist.

[REDACTED] Decrees issued in recent days have paved the way for returning the nationalized fishing industry to private ownership, shelved decontrol of the press, reopened Peru's petroleum fields to international investors, and threatened potential student agitators with severe sanctions.

[REDACTED] These measures are a culmination of an almost year-long effort by opponents of the leftist trend established by Velasco and pressed by Fernandez Maldonado and his radical advisers. The government's new look will have definite economic advantages, particularly if it facilitates needed loans from abroad.



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[REDACTED] //The government has indicated it will move once again to try to settle outstanding bilateral issues with the United States. The new civilian foreign minister is making public statements aimed at reassuring neighboring countries with which Peru has had problems.//

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[REDACTED] //The Cubans, who were influential in Peru during Velasco's administration, are reportedly worried by the trend of events and may try to be less visible in order to avoid damage to their interests.//

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[REDACTED] //Relations with Moscow may undergo less of a transformation because of substantial Peruvian interest in acquiring Soviet arms. The fate of a pending contract to buy sophisticated Soviet fighter-bombers is uncertain.//

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[REDACTED] //It would be highly unusual for a third-world country such as Peru to back out of well-advanced arms negotiations with the Soviets. A more likely development would be for the Soviets to keep the contract hanging in order to exert leverage to preserve what position the Soviets have in Peru.// [REDACTED]

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NIGERIA: Aid for SWAPO

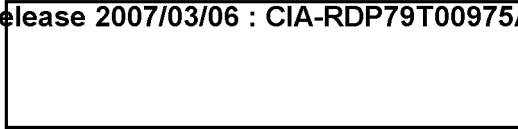
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[REDACTED] Lagos apparently has begun to provide limited military aid to Angolan-based insurgents of the South-West Africa People's Organization.

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[REDACTED] The SWAPO president visited Lagos in April and appealed for political and military aid. Before leaving, he announced that the Nigerian government had agreed to permit SWAPO to open an office in Lagos.



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[redacted] Nigerian leaders believe their country is destined to play a leading role in sub-Saharan Africa and that white minority rule in Namibia (South-West Africa) and Rhodesia can be ended only by force. [redacted]

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RHODESIA: White Exodus

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[redacted] The growing insurgency in Rhodesia is causing an increasing number of the country's 277,000 white residents to leave.

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[redacted] Salisbury recently announced a net loss of 2,220 Europeans during April, May, and June, compared with a net gain during 1975. Emigration would be greater if it were not for stringent controls on the transfer of funds abroad.

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[redacted] Although Rhodesia has had white settlers since 1890, most of the growth of its European population has occurred since World War II. As recently as 1969, 59 percent of all whites living in Rhodesia were immigrants; almost one third held non-Rhodesian citizenship or dual citizenship with the UK or South Africa.

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[redacted] More of the emigrants are resettling in South Africa than are returning to Europe. In addition to its proximity, South Africa offers a comparable climate, standard of living, and social setting. Pretoria welcomes the influx both as an offset to the growing black majority and as a source of skilled manpower. If need be, South Africa could absorb the bulk of a wholesale exodus of white Rhodesians.

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[redacted] Other countries possibly attractive to Rhodesians and having sizable immigration quotas are Canada, Australia, New Zealand, the UK, and the US. [redacted]

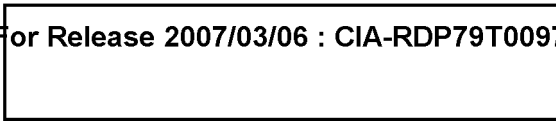
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ITALY: Communist Gains

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[redacted] The parliamentary committee presidencies gained by the Italian Communists this week will substantially enhance the party's prestige and its influence in the legislative process.

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[] Following protracted negotiations among the major parties--apparently linked to prime minister - designate Andreotti's effort to secure a benevolent Communist attitude toward his proposed minority government--the Communists received the presidencies of seven of parliament's 26 permanent committees. The Christian Democrats emerged with 10 presidencies, the Socialists with 5, and the remaining committees were divided among minor parties.

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[] Although the Communists have previously held vice presidencies and secretaryships in the committees, they had always been denied the top posts.

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[] They will now chair the committees on constitutional affairs, finance and treasury, public works, and transportation in the Chamber of Deputies and will head the budget, agriculture, and health committees in the Senate. The finance and budget posts are probably their most significant assignments, in view of the increasingly important influence parliament's economic committees have exerted on government programs.

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[] Permanent parliamentary committees are more influential in Italy than in most other West European parliamentary systems. For example, the committees have the power to pass certain minor bills on their own, although most important bills and certain categories of key legislation must be dealt with on the floor. Committees may subject draft bills to major changes before they are reported to the floor for debate and approval. The committee presidents may expedite or slow down the progress of any measure.

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[] A significant check on the Communists' new power results from the fact that every committee headed by a Communist is chaired by a Christian Democrat in the opposite house. The two houses of parliament have equal powers, and bills must be considered by committees in both the Chamber of Deputies and the Senate. If sent to the floor, bills must be approved by both houses.

25X1

[] The Christian Democrats also managed to keep sensitive political and security-related committees out of Communist hands, although the Communists reportedly lobbied hard for either the foreign affairs, interior, or defense committee.

25X1 [] Although the Communists did not receive all they wanted, they obviously regard their new posts as a significant achievement. They will now be able to put their stamp on legislation more than in the past, and will exploit their new role to enhance the party's legitimacy. The committee assignments seem likely to lead to expanded collaboration between the Communists and Christian Democrats--a process that will be difficult to reverse or to keep within limits.

25X1 [] The Communists are likely to be particularly effective in the Chamber, where the newly elected president, Pietro Ingrao, is also a Communist. [] 25X1

UK: Political Opposition

25X1 [] //The Callaghan government faces a close parliamentary vote today on its bill to nationalize the shipbuilding and aircraft industries. Because Labor has placed such a high priority on passage of this legislation, it may have to resort to an immediate vote of confidence if the bill is defeated.//

25X1 [] //The government undoubtedly would win a confidence vote, for all the opposition parties in the House of Commons would have to unite to defeat it. The small Liberal contingent, for example, is in no shape for an early election, and would almost certainly provide the necessary abstentions to permit the government to survive.//

25X1 [] //The main opposition to the nationalization bill comes from the Scottish National Party, which announced yesterday that its representatives would vote against the bill. During previous consideration of this legislation, the Scots supported the government in anticipation of an amendment creating a separate Scottish "entity" within the new state shipbuilding corporation. The Nationalist reversal apparently stems from dissatisfaction with the government's performance on its pledge.//

25X1 [] //An additional element of uncertainty is the unknown intentions of the Welsh nationalists and two dissident Scottish Laborites who recently broke with the government over budget issues. [] 25X1

UN: ECOSOC

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[REDACTED] //A major US proposal for an international agreement to curb illicit payments in international commercial transactions may be presented for UN action today. The proposed agreement, however, is encountering opposition from both developed and developing countries.//

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[REDACTED] //The US has proposed that the current UN Economic and Social Council session--meeting in Geneva until August 6--establish a committee to draft a treaty on illicit payments. The US maintains that while most countries have national legislation which prohibits bribery and similar actions in commercial transactions, there is no international agreement to facilitate international cooperation in investigation and prosecution in such crimes.//

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[REDACTED] //The US proposal would require only the disclosure of political contributions, gifts, and payments made by companies operating abroad. The prospect of commercial losses because of these regulations, however, has not been lost on the developed states, in particular, and undoubtedly contributes to their reluctance to support the US initiative.//

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[REDACTED] //So far, West Germany has raised the most objections to the proposal and, in a probable effort to sidetrack the effort, has suggested that a preparatory committee carry out an in-depth study of the options for international action and only then make recommendations to ECOSOC.//

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[REDACTED] //An underlying West German concern is Bonn's fear that such a legally binding instrument could require West German firms to disclose legitimate commercial secrets. Moreover, other developed states argue that international action could encourage the less developed countries to push for binding international agreements in other areas.//

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[REDACTED] //However, despite reluctance by some, most of the other European states seem willing to support the US program. Few, however, are willing to co-sponsor a resolution formally calling for an agreement, or to lobby for its passage by the full ECOSOC membership.//

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[redacted] //Although Italy for domestic political reasons withdrew an earlier assurance of co-sponsorship, it says it would reconsider if broad-based, geographically representative support for the proposal could be demonstrated. However, Belgium--another possible co-sponsor--has instructed its delegate not to co-sponsor along with Italy, [redacted]

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